

LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6619

BILL NUMBER: SB 474

DATE PREPARED: Dec 1, 2001

BILL AMENDED:

SUBJECT: Equalization of School Property Tax Levies.

FISCAL ANALYST: Chuck Mayfield

PHONE NUMBER: 232-4825

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 2002	FY 2003	FY 2004
State Revenues			
State Expenditures		70,332,500	70,332,500
Net Increase (Decrease)		(70,332,500)	(70,332,500)

LOCAL IMPACT	CY 2002	CY 2003	CY 2004
Local Revenues		140,665,000	
Local Expenditures			
Net Increase (Decrease)		140,665,000	

Summary of Legislation: This bill appropriates sufficient amounts from the state General Fund to partially equalize school corporation capital projects and debt service fund levies.

Effective Date: July 1, 2002; January 1, 2003.

Explanation of State Expenditures: This bill guarantees that each one cent raised in a school's capital project fund or debt service fund will generate \$21 per ADM for the first \$0.20 of the capital project fund rate and the first \$0.50 of the debt service fund rate. Schools with adjusted assessed valuation of less than \$210,000 per ADM will receive a distribution under this bill. Based on CY 2001 data, 238 schools would be eligible to receive about \$69.5 M to help equalize capital project fund rates. The bill limits the maximum capital project distribution to \$82,358,000 for CY 2003. Based on CY 2001 data, the debt service support

formula would distribute \$105.5 M to 241 school corporations to equalize debt service fund rates. However, the bill currently limits the debt service support distribution to \$71,165,000 for CY 2003. The impact for the state General Fund is \$70,332,500 ($\$69,500,000 + \$71,165,000 = \$140,665,000/2$) for FY 2003 and \$70,332,500 ($\$140,665,000/2$) for FY 2004. The distributions expire on January 1, 2004.

School corporations' capital project funds do not receive State Property Tax Replacement Credits. And debt service funds do not receive State Property Tax Replacement on levies generated by debt entered into after 1983. The State Property Tax Relief Fund would not be affected by the reduction in levies.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Based on CY 2001 data, this bill would have reduced property tax levies by about \$140,665,000. Schools are allowed to levy an amount sufficient to make debt service payments and fund their capital projects fund budgets, subject to a rate limit on the capital projects fund. The levy is determined by subtracting miscellaneous revenue from the approved budget. The new distributions will increase miscellaneous revenue and therefore decrease levies. The reduction of property tax levies will cause a drop in distributions of Excise Tax and Financial Institutions Tax (FIT) which are distributed based on levies. The lost Excise Tax and FIT revenue would be redistributed to other units in the counties.

State Agencies Affected: Department of Education.

Local Agencies Affected: School Corporations; Local units receiving Excise and FIT taxes.

Information Sources: Department of Education SAS Databases.